



Internal Audit Report

Maricopa County Sheriff's Office
September 2001



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September 7, 2001

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We have completed our FY 2001 review of the Maricopa County Sheriff's Office (MCSO). This limited scope audit was conducted in accordance with the Board approved audit plan. Our review focused on controls over intergovernmental agreements, information systems, and risk management loss prevention.

Overall, we found that MCSO has initiated many positive changes to more effectively manage the functions that were examined. We also found areas needing improvement. These, along with our recommendations, are detailed in the attached report. The highlights of this report are:

- MCSO has not established formal agreements with many of the agencies for which the department provides detention and law enforcement services, as required by law. Together with other administrative and financial control weaknesses identified, this situation exposes the County to financial risk.
- MCSO is owed \$1.1million from six governmental agencies having eight delinquent accounts. Seven of the accounts had no reductions in the past fiscal year.
- MCSO has not established an information technology strategic plan or steering committee. The strategic plan and steering committee will help ensure information technology projects are properly authorized, controlled, and meet MCSO business objectives.

We have attached our report package and MCSO's response. We have reviewed this information with the MCSO Chief Financial Officer and Chief Information Officer. We appreciate the excellent cooperation provided by all affiliated personnel and for access to all records requested. If you have questions or wish to discuss items presented in this report, please contact George Miller at 506-1586.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

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Executive Summary

Intergovernmental Agreements (IGA) (Page 11)

MCSO has not established formal IGAs with many of the governmental agencies for which the office provides detention and law enforcement services, as required by ARS and County policy. Properly executed IGAs were found for only 26 (44%) of the 59 agreements with 57 agencies; 33 agreements were either missing, unsigned, expired, or lacked Board approval. Without properly executed IGAs, the County is exposed to significant financial risk. MCSO should establish formal IGAs with all governmental agencies that the office services.

IGA Policies and Procedures (Page 13)

MCSO has not established adequate controls for developing, negotiating, and monitoring IGAs to ensure compliance with all applicable legal requirements, as well as, agreement terms and conditions. These weaknesses increase the County's risk for incurring legal and financial liability and, also, negatively impact MCSO's operating effectiveness and efficiency. MCSO should strengthen controls over these activities.

IGA Compliance (Page 15)

MCSO's Detention Services and Law Enforcement IGAs do not comply with ARS requirements and the office does not monitor agencies' adherence to agreement terms. We also found significant exceptions to established administrative and financial controls, which has caused ineffective annual costing and non-uniform IGA terms and conditions. Inmate per diem rate changes are not logged, entered timely to the Jail Maintenance System, or documented by individuals who input and verify the changes. MCSO should strengthen controls over IGAs administered by the office.

Revenue Receivables and Cost Recovery (Page 19)

MCSO is owed \$1.1 million from six governmental agencies having eight delinquent accounts; seven account balances were not reduced during FY 2001. MCSO assessed interest on most of the accounts but did not charge interest on one agency's large past due receivable, as authorized by the Board. MCSO's 1999-2001 expenses for Bank One Ballpark (BOB) law enforcement services exceeded revenues by \$21,162; however, the office has taken corrective actions to provide future contract profitability. We also found that controls over timekeeping records, for MCSO employees working at BOB, are not adequate. MCSO should strengthen financial management controls in these areas.

Inmate Health Services Claims (Page 22)

Information that the Correctional Health Services Department (CHS) provides to the Maricopa Integrated Health System for preparing inmate special medical services billings is not always accurate. We reviewed 88 outstanding County claims (\$1.47 million total) and found two (\$254,000 total) that should have been billed to other jurisdictions. CHS should strengthen controls over its information reporting activities.

IT Strategic Plan & Steering Committee (Page 24)

MCSO has not established an information technology (IT) strategic plan or IT steering committee. A strategic plan is currently being developed to address changes and improvements in the IT infrastructure that will be necessary or beneficial over the next three years. An IT steering committee will assist in providing direction and prioritizing projects. MCSO should complete the IT strategic plan and form a steering committee to help ensure IT projects are properly authorized, controlled, and meet MCSO business objectives.

Security Policies and Procedures (Page 25)

MCSO has not developed written IT security policies, as required by County policy. Security may not be administered consistently in accordance with management's intention without properly documented policies and procedures. This risk is especially important considering the confidential nature of the organization's data. MCSO should develop and document formal security procedures.

Operating Systems Weaknesses (Page 27)

During our review we noted three weaknesses related to MCSO operating systems:

- The mainframe security settings include parameters that are not considered best practice.
- Data Center employees share a single user account to administer the operating system for the inmate canteen application.
- A formalized procedure has not been developed for approval and testing of new operating systems, operating system upgrades, or operating system patches.

MCSO should implement proper controls to reduce the risk that the integrity of the information processed on the office's systems will be compromised.

Project Management Methodology (Page 29)

MCSO has not developed a formal IT project management methodology as suggested by IT best practices. Development projects are not carried out according to a standardized project management methodology and may not be properly controlled, tested, and approved by management. MCSO should adopt a formal IT project management methodology.

Excessive Access to Systems (Page 31)

Access to MCSO's Computer Aided Dispatch system and the Inmate Fund Canteen System appears to be excessive. The large number (324) of users with access to release inmate canteen funds increases the risk of fraud and/or misappropriation of funds. MCSO and MCSO's Financial Services Bureau should carefully evaluate and verify the users' need for access to these critical systems.

Disaster Recovery Plan (Page 32)

MCSO has not established a formal disaster recover plan for its information systems. As a result, MCSO does not have assurance that the office can recover systems timely, in the event of an extended system outage or disaster situation, and may experience business interruption. MCSO should develop a disaster recovery plan and test the plan at least annually.

Introduction

Background

The Maricopa County Sheriff's Office (MCSO) enforces Arizona's criminal, traffic, environmental, and civil laws. The office ensures public safety by performing patrol activities, investigations, and special services mandated by ARS 11-441. MCSO provides law enforcement services for the unincorporated areas of the County and six local cities that have contracted with the office.

MCSO maintains Maricopa County's only full-scale jail operation, which includes inmate detention, control, and security services. The organization's mission is to serve as a fully integrated law enforcement agency committed to being the leader in establishing the standards for providing professional quality law enforcement, detention, and support services to the citizens of Maricopa County and other criminal justice agencies.

Organization

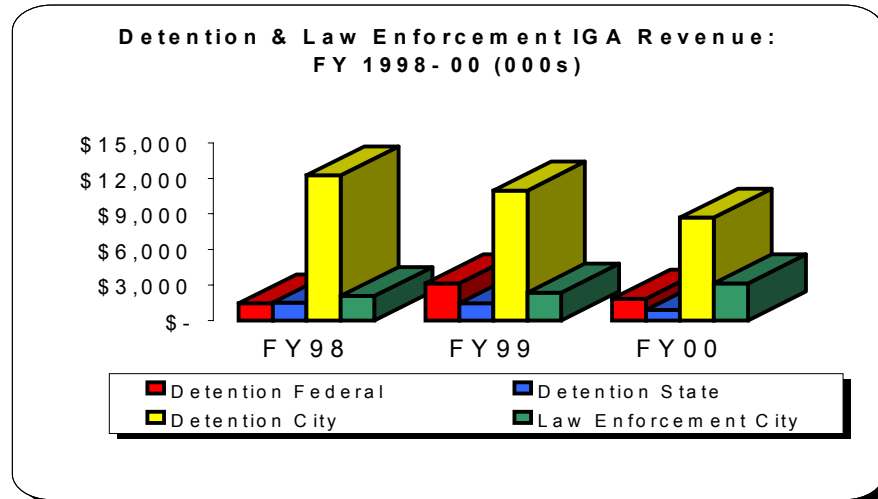
MCSO has approximately 2,500 employees assigned to seven operating bureaus that report to the Chief of Operations. The bureaus are Administration, Custody, Patrol, Criminal Investigations, Criminal Intelligence, Special Operations, and Professional Standards.

This audit focused primarily on the Administration Bureau, which includes Technology and Financial Management. Technology has 61 civilian employees that support all MCSO computer related programs and functions. Financial Management has 30 civilian positions that perform financial services, procurement, budget, agenda processing, and managerial support activities. The office is also responsible for overseeing Intergovernmental Agreements (IGA) and other special contracts. The Chief Financial Officer has implemented changes to the office's organization structure and will review the alignment again during FY 2002.

Revenues and Expenditures

MCSO's operating budget for FY 2001 was \$125.3 million and 60 percent of this amount was designated for detention services. Total actual expenditures exceeded the budget. As a result, the Board of Supervisors, in conjunction with the Office of Management and Budget (OMB), is closely monitoring MCSO's budget to determine appropriate spending levels for efficient operation and service delivery.

MCSO operates with more than 60 detention and law enforcement service agreements; some have not been fully executed. During FY 2001 these services generated \$21.6 million of revenue, which represents 62 percent of the office's revenue budget. A breakdown of these revenues, by source type and amount, is shown by the graph below.



Booking and detention man-days totals peaked in FY 1998. Since then, bookings have decreased 6.6 percent and man-days by 2.1 percent, resulting in a decline of revenue received from cities. Issues related to discounts, billable clauses and IGA terms have contributed to the decline.

Detention Services Charges

MCSO houses inmates in County jail and detention facilities and provides for inmates' standard needs. To recover these costs, MCSO has developed Detention Service IGAs with cities, towns, and various State and Federal agencies as authorized by ARS 11-952. Each month, MCSO charges these agencies per diem costs for inmate housing, food, clothing, bedding and general medical care. The rates are subject to annual review, change, and formal Board approval. Currently the Department of Finance (DOF), in conjunction with MCSO Financial Management staff, calculates IGA per diem billing rates. MCSO recently engaged an outside consultant to review the methodology utilized for calculating per diem rates.

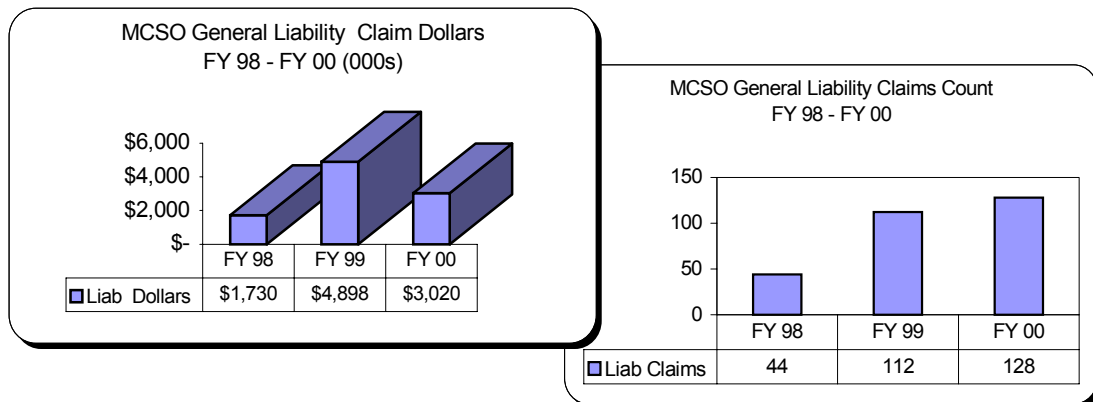
As of May 2001, MCSO's total per diem and law enforcement receivables were \$4.7 million. The City of Phoenix's share was \$3.6 million and the Arizona Department of Corrections (DOC) share was \$1.0 million. The County Attorney and DOF recently reached a settlement, begun in 1998, with the City of Phoenix to clear all prior receivables. MCSO involvement in the negotiation process has been limited. The settlement caused the City of Phoenix to begin FY 2002 with

no past due receivable balance. Receivable issues still need to be negotiated with the Department of Corrections and other payors that have aged balances.

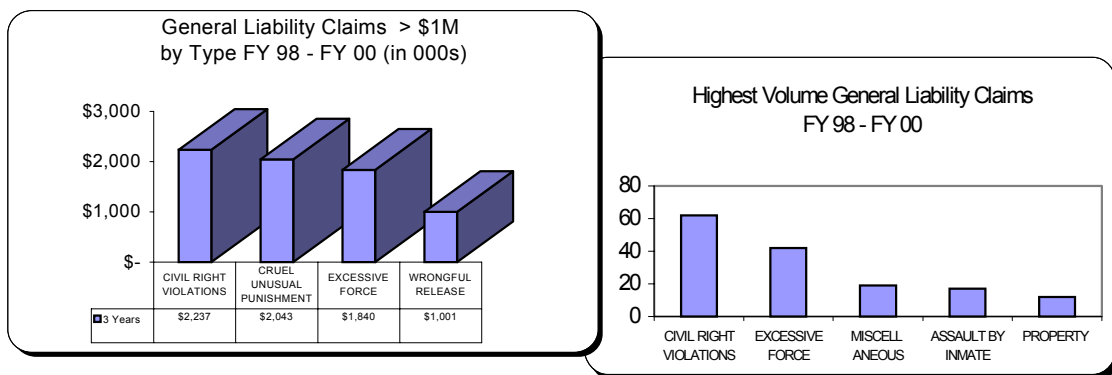
Risk Management and Liability

The Risk Management Department tracks County's losses and liability. As part of this audit, we reviewed MCSO's general liability and workers compensation claims and trends. Based on Risk Management Department data for FY 1998 through FY 2000, the number of MCSO claims represented between 38.8 percent and 40.1 percent of total County claims. The amount of money associated with these claims reflects similar percentages.

The graphs below depict the trends of general liability claim dollars and number of claims. During the three-year period general liability claims totaled \$9.6 million that were spread over 284 claims. While the dollars were reduced between FY 1999 and FY 2000, the claim volume continued to rise, which required more time and effort to research claims.



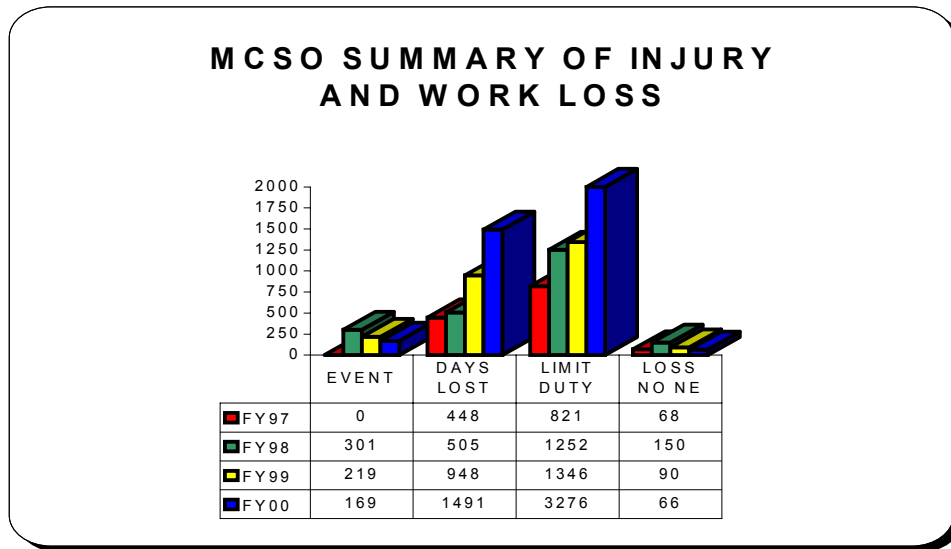
The graphs below show large dollar and high volume General Liability Claims, by type, during the three-year period. Inmate claims related to civil rights violations and excessive force have increased. If this trend is not monitored and addressed, more time and money will be required to resolve the issues.



Workers Compensation Claims

Workers Compensation claims are MCSO's largest loss category. The Risk Management Department reports that for every dollar of workers' compensation direct loss, the County pays an additional four dollars of indirect costs. This expense is related to lost productivity and reduced work output.

The following graph shows the number of MCSO workers compensation events and work loss summary.



The 3,276 days of limited duty days for FY 2000 exceed the previous years by 143 percent. Even as the events have declined, the number of days lost and the number of limited duty days have increased.

A majority of MCSO injuries occur with detention officers and the organization has developed a program to bring officers back to work in positions that do not require inmate contact. MCSO promotes an aggressive return-to-work policy, along with a modified work program. However, as administrative positions have been reduced, the task of placing officers in modified work assignments becomes more difficult. The demands on detention officers, due to inmate volume and detention staffing issues, limits the opportunities for officers to return to assigned duties until they have fully recovered.

Scope and Methodology

The objectives for this audit were to determine:

- If MCSO has established IGAs and contracts with public agencies in accordance with applicable ARS requirements, regulations, and County policies
- Any undisclosed risks and liabilities associated with IGAs, contracts, billings, intake and billing system data controls, and risk management issues related to loss prevention and claims
- The effectiveness of the operational controls to ensure that program goals and objectives are met
- The validity and reliability of data gathered, maintained, and disclosed
- If County assets and resources are adequately safeguarded against loss and abuse
- If controls are adequate to ensure accurate recordkeeping and compliance with County policy requirements.

This audit was performed in accordance with Government Auditing Standards.

Areas for Future Audit Consideration

Risk exposure is present at almost every level of the MCSO organization due to the size of the organization, the layered structure, and nature and variety of functions. MCSO made progress during FY 2001 to address its organizational structure and level of expenditures. Our audit planning activities identified other potential high-risk areas within MCSO. These include the following:

- Employee payroll
- Use and control of funds and multiple organization codes
- Inmate Canteen fund
- Fixed assets, including warehouse inventories and surplus
- Outside bank accounts.

The above activities should be considered for future audit work.

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Issue 1 Intergovernmental Agreements (IGA)

Summary

MCSO has not established formal IGAs with many of the governmental agencies for which the office provides detention and law enforcement services, as required by ARS and County policy. Properly executed IGAs were found for only 26 (44%) of the 59 agreements with 57 agencies; 33 agreements were either missing, unsigned, expired, or lacked Board approval. Without properly executed IGAs, the County is exposed to significant financial risk. MCSO should establish formal IGAs with all governmental agencies that the office services.

Statutory and County Requirements

ARS 11-952 authorizes governing agencies to enter into contracts for services with one another for joint or cooperative action. IGAs must be put in writing, reviewed by the County Attorney, approved by the Board, and signed by the Board Chairman. The agreements must specify duration, purpose, financing, and termination methods. The IGAs also must be filed with the State Secretary or County Recorder.

County Policy A1110 requires the Clerk of the Board to assume responsibility for officially filing all IGAs with the County Recorder once applicable parties have executed the agreements. Any payment for services shall not be made unless pursuant to a fully approved written contract.

Review Results

Our examination of MCSO records and revenue billings found that 57 external governmental organizations have a total of 59 agreements with MCSO to provide inmate detention and law enforcement services. During FY 2001 MCSO provided these agencies with services having a billable cost of \$14 million.

The Internal Audit Department, MCSO, and the Clerk of the Board researched County records to identify IGAs and document MCSO's service agreements. Only 26 (44%) of the 59 agreements were found to be completed, properly executed and approved. The services that MCSO provided without properly executed IGAs during FY 2001 amounts to more than \$10 million of potential revenue. The chart on the following page summarizes this revenue by service type.

MCSO IGA SUMMARY				
Agreement	Formal	FY01	Informal	FY01
Type	Agreement	\$ Impact	Agreements	\$ Impact
Jail Per Diem	17	\$ 3,362,805	22	\$ 8,953,482
Law Enforcement	8	\$ 1,089,149	1	\$ 1,099,014
Psych Services	0	\$ -	7	\$ 22,700
Juvenile Per Diem	0	\$ -	3	\$ -
Other Services	1	\$ -	0	\$ -
Totals	26	\$ 4,451,954	33	\$ 10,075,196

During October 1994 MCSO was made aware this situation when an independent accounting firm, contracted by the County to analyze inmate detention service costs, noted that IGAs had not been established or were missing. The study also noted that MCSO would develop and negotiate IGAs with the agencies. MCSO employees who administered IGAs between 1992 and 1997 confirmed that IGAs were not on file for all agencies.

Legal and Financial Risk

The practice of providing services without signed agreements exposes the MCSO and the County to legal risk if the contracts are disputed. Approximately \$10 million of revenue is received annually from these agencies. MCSO's inadequate contract oversight appears to have contributed to the significant number of unexecuted and missing agreements.

Recommendation

MCSO should:

- A. Review all IGAs on file and, where necessary, develop formal IGAs with all non-County agencies
- B. Ensure that any unapproved IGAs and contracts are approved by the Board and other applicable parties, as required by ARS
- C. Obtain copies of all IGAs in which the office has an interest.

Issue 2 IGA Policies and Procedures

Summary

MCSO has not established adequate controls for developing, negotiating, and monitoring IGAs to ensure compliance with all applicable legal requirements, as well as, agreement terms and conditions. These weaknesses increase the County's risk for incurring legal and financial liability and, also, negatively impact MCSO's operating effectiveness and efficiency. MCSO should strengthen management controls over these activities.

ARS and MCSO Policy Requirements

ARS 9-498 authorizes counties to enter into agreements and agencies "...shall pay to the county the amount agreed ... for furnishing such services." ARS 11-952 requires that payment for services shall not be made unless pursuant to a fully approved written contract.

MCSO Policy Manual SMR-7 delegates authority to negotiate and administer IGAs and contracts to the Commander of Planning and Research Development. This position is responsible for monitoring IGAs for compliance with ARS requirements. The policy also requires the Planning and Research Division to maintain copies of the office's fully executed IGAs.

Review Results

Our examination of MCSO's current Organizational Chart does not reflect the Planning and Research Division identified in the office's Policy Manual SMR-7. Although MCSO updated its policy manual to reflect moving IGA responsibility from Planning and Research to the Chief Financial Officer, copies of the new policy have not yet been distributed. We also could not find any written IGA handling procedures in MCSO files.

Our review also identified the following weaknesses in MCSO's billing procedures and per diem rate calculations:

- The Inmate Billing Procedures Manual that was developed in April 1996 is outdated as to both procedures and systems used.
- The procedures for calculating Detention Service inmate per diem rates are not documented in writing. DOF currently performs the calculations and the methodology for calculating rates has not been reviewed in six years. Services cost recovery has not been validated.

- Procedures have not been developed for preparing law enforcement IGA worksheets. Sources for obtaining the data needed to estimate cost and complete calculations have not been established.
- Information and details on “beat” staffing factors are not documented, explained, and conveyed to the employees charged with completing worksheets. The law enforcement worksheets do not identify the preparer, when the worksheets were prepared, or if a supervisor or other qualified employee reviewed the final product.

County Risks

The division identified in the MCSO policy to monitor IGAs and contracts was eliminated several years ago and the manual was not updated to reassign this responsibility. If IGAs are not adequately negotiated and monitored, the validity and effectiveness of the agreements to MCSO and the County is negatively impacted. The lack of current internal IGA policies and operating procedures creates serious control weaknesses.

Recommendation

MCSO should:

- A. Update and distribute internal policies and operating procedures identifying the responsible position and procedures to handle all aspects of IGA administration and negotiation.
- B. Ensure that the procedures comply with all applicable legal requirements and minimize risks to MCSO.
- C. Adequately train staff assigned to perform IGA administration, negotiation, and billing activities.

Issue 3 IGA Compliance

Summary

MCSO's Detention Services and Law Enforcement IGAs do not comply with ARS requirements and the office does not monitor agencies' adherence to agreement terms. We also found significant exceptions to established administrative and financial controls, which has caused ineffective annual costing and non-uniform IGA terms and conditions. Inmate per diem rate changes are not logged, entered timely to the Jail Maintenance System, or documented by individuals who input and verify the changes. MCSO should strengthen controls over IGAs administered by the office .

Statutory and Policy Requirements

ARS 11-952 requires that agreements between public agencies be written for a specific duration and address certain conditions. Contracts with various courts and their related services and facilities shall not exceed ten years.

MCSO's agreements with local cities/towns and other governmental agencies also contain specific compliance terms and conditions. These include:

- Changes or modifications must be in the form of a written amendment signed by all parties to evidence mutual agreement.
- Notices shall be sent in writing by personal delivery, registered mail, or certified mail with return receipt requested to be effective upon receipt by the addressed party.
- Insurance coverage must be obtained for any and all agreement risks.
- Law Enforcement Agreements (LEA) are drawn for specific service levels subject to the agency right to request additional services. Parties must agree on levels of services and costs.
- Detention Service Agreements (DSA) rate clauses require that the Board approve per diem rates by formal action on or before April 1 of each year, with an effective date of July 1. If the Board fails to notify agencies, or does not change the rates, then the prior year's rates will remain in effect.

Proper internal controls require that rate changes to computer system tables be authorized, documented, and verified to ensure control over data elements. A second individual should verify changes to rate tables to ensure the accuracy of data entered.

Examination Results

We examined the DSAs with four cities/towns and the US Federal Marshal (USFM) along with all six LEAs to verify MCSO's compliance with applicable statutory requirements and IGA terms and conditions. The results of our review are summarized below.

Ten-year limitation: All five DSAs exceeded the statutory ten-year limitation.

Insurance: None of the IGA files contained evidence of the required insurance.

Amendments: Changes are not always made with written amendments. Four DSAs did not have amendments to support rate changes and no evidence was found to verify that the changes were based upon mutual agreement or the agencies had accepted the changes. Two LEAs with revised beat levels and annual costs had no amendments were found in the files.

Written Notifications: Letters/notices to agencies are not always sent as required. For example, four DSA files and all six LEA files did not contain any evidence to show that rate changes and service level letters were sent via registered or certified mail to document agency receipt. Letters were sent from the Chief Administrative Officer, but the letters are not dated and, therefore, do not provide support for notification timeliness.

IGA Language: Language and terms are not consistent for the following requirements:

- Inmate first or last day billings
- Right to audit records and inspect facilities
- Records retention period
- Billing challenge time limit: only the USFM Agreement sets a 90-day limit
- Standard of Care: The USFM agreement requires 3 meals (2 hot) per day, per prisoner. MCSO's two meal per day policy is an exception to this agreement.

DSA Billing Rates: The standard per diem psychiatric rate of \$100, unchanged since 1987, cannot be validated and the Federal inmate psychiatric rate of \$140 has no historical documentation. Neither rate has Board approval. The USFM per diem and psychiatric rates expired January 1996. No review or costing of per diem psychiatric rates has been documented and MCSO does not use a rate log to document timely rate changes and approvals. MCSO reports that the rates were developed by physicians no longer on staff and has agreed to review the rates.

LEA Worksheets/Methodology: LEAs are negotiated on the number of "beats" required, which is defined as public safety service provided 365 day per year/24 hours per day. LEAs require annual review and recalculation of service levels and costs including personnel, patrol vehicles, supplies, and services. Staffing calculations are derived from formularies on Manpower Allocation Factor. Costs were trended by category totals for FY 1998 through FY 2002. Staffing levels per beat and allocation factors for FY 2001 were reviewed.

We compared FY 2001 reported hours worked to contract totals for four agencies, as well as, annualized mileage to contract miles for three agencies. We found the following:

- LEAs are not costed on a yearly basis using actual expenses and neither overall supply nor telecommunication costs could be validated by MCSO. The staffing and beat levels are not clearly defined and used in calculations.
- For FY 2002, only salary costs were changed on worksheets. Costing factors do not vary year to year and the total employees used to estimate average costs per supplies could not be validated.
- The Manpower Allocation Factor/FTE Staffing Requirement that provides the basis for calculating beat staffing has not been reviewed or revised since 1995. Therefore, FTEs and the staffing per beat levels are inconsistent with the factors and FTEs defined on worksheets.
- Combined MCSO service hours reported for three FY 2001 LEAs exceeded the contract by 1,352 hours, thereby costing MCSO approximately \$36,000. However, MCSO appears also to be overestimating its mileage (5% - 23%) and the cities may be overcharged.

Potential Negative Impact

MCSO and the County are exposed to possible legal and financial liability due to the current condition of the office's IGAs. The County cannot hold other agencies accountable without amendments to validate mutual acceptance of contract terms and conditions. The lack of standard contract language and conditions provides for multiple exception-to-the-rules clauses, hampers compliance, and promotes control weaknesses.

Maximum revenue for MCSO law enforcement services is not being generated because the LEA costing methodology is not supported or documented by actual costs, hours, or mileage calculations. Inaccurate staffing and beat level documentation may understate MCSO's personnel expenses. Furthermore, the lack of understanding and current review of "FTEs per beat" and the associated staffing requirement has caused confusion.

Inaccurate or unapproved system rates cause inaccurate billings, which increase the potential that agencies will challenge invoices or not make payments. The net result is that County revenues may be delayed or go unrealized.

Recommendation

MCSO should:

- A. Develop and re-establish agreements to comply with statutory requirements and standardize conditions and language for DSAs and LEAs, to extent possible
- B. Ensure all parties comply with IGA terms to include requiring all changes to be made by amendments to establish concurrence by all parties
- C. Review current psychiatric rates and determine the source and validity of the \$100 per diem rate and \$140 federal rate being charged; develop a methodology to verify if the rates recover the cost of services provided
- D. Establish a rate change log to monitor rate change amounts, approvals, effective dates, and document changes made to JMS to ensure timeliness and who made/verified the changes
- E. Review methodology and worksheets for LEA allocation factor and staffing requirements to determine if these are adequate and meaningful in the current law enforcement environment to recover all costs. Document the methodology and support for law enforcement contract worksheets.

Issue 4 Revenue Receivables and Cost Recovery

Summary

MCSO is owed \$1.1 million from six governmental agencies having eight delinquent accounts; seven account balances were not reduced during FY 2001. MCSO assessed interest on most of the accounts but did not charge interest on one agency's large past due receivable, as authorized by the Board. MCSO's 1999-2001 expenses for Bank One Ballpark (BOB) law enforcement services exceeded revenues by \$21,162, however, the office has taken corrective actions to provide future contract profitability. We also found that controls over timekeeping records, for MCSO employees working at BOB, are not adequate. MCSO should strengthen financial management controls in these areas.

Receivables Requirements

As previously stated, MCSO provides detention, law enforcement, and other services for many other governmental agencies. Approximately 60 service agreements have been established. ARS 9-498 requires agencies that contract for services to pay the County the agreed upon amount for furnishing the services. The Board approved an agenda item in March 1997 requiring that all jurisdictions be assessed ten percent interest on all past due MCSO detention revenues of 45 days or more.

MCSO also provides law enforcement services at the Bank One Ballpark (BOB). The 1998 IGA with Maricopa County Stadium District defines the services and financial conditions. Rates are established to recover all MCSO direct and indirect service costs including salary, benefits and retirement contributions, liability and workers compensation insurance, and administration. However, MCSO deputies' vehicles, radios and other communication systems, and equipment are provided without charge.

MCSO's Biweekly Payroll Policy and Procedure # GC-8 make each non-exempt employee responsible for accurately recording time worked, on a daily basis. At the end of each pay period the employee and appropriate supervisor must validate, sign, and date the time record.

Results of Receivables Review

Our review of MCSO revenue records found that the office has not established an effective system to age its IGA receivables. Monthly reports are sent to the CFO, Accounting Manager, and the Budget Analyst. However, discussions and corrective actions taken to reduce the receivable balances did not lower seven of nine account balances during FY 2001.

Using the MCSO May 2001 listing, we aged the receivables and determined patterns of payments on Detention Service and Law Enforcement Agreements and noted the following:

- Account balances for the City of Phoenix and the Immigration and Naturalizations Services (INS) have been reduced by \$3.6 million and \$183,000 respectively. See NOTE below.
- Two Arizona Department of Correction account balances have increased by \$390,000 and six other aged accounts balances remain unchanged.
- While the MCSO assesses interest on most past due receivables, the office has not charged INS interest on its past due receivable balance of \$126,000.

NOTE: After our review was completed, the County Attorney and DOF reported that a settlement with the City of Phoenix had been negotiated. The settlement calls for the City of Phoenix to pay MCSO \$1.43 million and credits will make up the difference. MCSO involvement in the negotiation process was limited.

BOB Contract Costing

Our review found that BOB contract service rates have not always fully recovered MCSO's direct and indirect costs. As a result, the County lost \$21,162 for the combined the three-year period (1999 through 2001) as shown in the chart below.

Bank One Ballpark				
	1999	2000	2001	TOTAL
Revenues	\$ 292,070	\$ 308,455	\$ 132,205	\$ 732,730
Expenses	\$ 318,183	\$ 319,706	\$ 116,003	\$ 753,892
Net Variance	(\$26,113)	(\$11,252)	\$16,202	(\$21,162)

BOB contract net losses had been escalating over the life of the contract. However, beginning in May 2001, MCSO adjusted the structure of the group that patrols the ballpark and no longer uses officers working overtime. The new staffing patterns generated revenues that have exceeded costs by \$30,900. July 2001 revenues also exceeded expenses by approximately \$23,700. If staffing patterns continue to be monitored, the BOB contract may be profitable for MCSO.

We reviewed MCSO employee payroll for BOB services for the pay period ending April 29th, 2001. We found that 75 employees had worked a total of 737 hours and were compensated \$20,231 in salary. We examined employee timekeeping records and found the following:

- On two days an MCSO employee recorded the regular shift ending at 5:00 PM then recorded the BOB shift start time one hour earlier at 4:00 PM. The

employee was paid for the regular shift and simultaneously earned two hours of overtime for the overlapping hours.

- Ten employees (13 total instances) reported their regular shift ending time the same as their BOB shift starting time; no differential was shown. One employee performs Lake Patrol duty and the time reported on the employee's timekeeping records shows no travel time between the lake and BOB.

Financial Impact

The County is currently at risk for \$1.1 million of uncollected aged receivables. Compensating MCSO employees, assigned to BOB, for non-worked hours also negatively impacts the organization's budget. Poor control and supervision over payroll recordkeeping further allows for potential employee abuse of the system and overcompensation.

Recommendation

MCSO should:

- A. Develop a system to age its receivables and develop formal procedures for monitoring aged receivables to include regular follow-up of aged items
- B. Together with the County Attorney, take action to collect the \$1.1 million of revenue receivables and bill interest on all past due receivables, including the INS, as per Board approved action
- C. Review and update payroll rules and controls to ensure time worked at BOB is accurately reported and that supervisors effectively review records, as well as, recover any compensation not justified or earned.

Issue 5 Inmate Health Services Claims

Summary

Information that the Correctional Health Services Department (CHS) provides to the Maricopa Integrated Health System (MIHS) for preparing inmate special medical services billings is not always accurate. We reviewed 88 outstanding County claims (\$1.47 million total) and found two (\$254,000 total) that should have been billed to other jurisdictions. CHS should strengthen controls over its information reporting activities.

Inmate Health Care Policy

MCSO jail inmates have their routine health care needs served by CHS. Inmates requiring special medical services are sent to the Maricopa Medical Center for treatment by MIHS doctors.

MCSO's Detention Service Agreements with other governmental agencies contain the following stipulations:

- The City or Town agrees that they, and not the County, are financially responsible for the special medical care and treatment incurred by City or Town inmates while incarcerated in County Jails.
- The City and Town agree that Maricopa County, MCSO, and CHS are not legally responsible for any pre-booking/pre-incarceration health care services provided to City or Town arrestees.

CHS is responsible for identifying, and reporting to MIHS, the inmate municipality or other jurisdictional payor sources responsible for billed charges. This responsibility is defined in Section VII of an expired MIHS/CHS agreement.

Unpaid Health Care Claims

MIHS provided our office with listings of unpaid inmate claims; those for several cities and another identifying inmates who were the County's responsibility. The County listing shows 1885 claims totaling \$2.9 million with 34 percent of the claims aged over 120 days.

We examined 88 County claims totaling \$1.47 million (50% of dollars outstanding) to verify if the claims were a County responsibility. Two claims totaling \$253,664 (17%) were found that should have been billed to other jurisdictions or the inmate. The Jail Maintenance System (JMS) Inmate Agency Billing Inquiry Screen, used by CHS to establish jurisdictional payment responsibility, clearly identifies the two exceptions as a non-County

responsibility. The cause of both exceptions appears to be that the inmates were incorrectly classified as a County responsibility and that the classifications were not reviewed and verified.

CHS provides billing information to medical care providers based on JMS court jurisdiction billing codes. Errors occur if CHS does not correctly identify jurisdictional responsibility and/or changes. In these cases the County risks paying for inmate special health services that should be billed to and paid by another jurisdiction or the inmate.

CHS management reports that, in the future, staff will verify hospitalized inmate status daily to determine if an inmate has been released from jail status during hospitalization. Once released, CHS relinquishes follow-up for inmates. However, Healthcare Mandates (claim adjudicator) will use the CHS database to validate claims and release information that will be critical to making adjustments.

NOTE: As of June 27, 2001, a current operating agreement did not exist between MIHS and CHS. The most recent agreement expired June 30, 1999 and a new one, drafted in March 2001, has not been finalized.

Recommendation

CHS should:

- A. Finalize the IGA with MIHS, for providing inmate special medical services, and inform MIHS of current billing errors so that the claims can be re-billed
- B. Develop an effective communication/training process with MIHS and MCSO to identify and verify jurisdictional claim responsibility, and resolve outstanding County claims, and establish a process for obtaining inmate release data.

Issue 6 IT Strategic Plan & Steering Committee

Summary

MCSO has not established an information technology (IT) strategic plan or IT steering committee. A strategic plan is currently being developed to address changes and improvements in the IT infrastructure that will be necessary or beneficial over the next three years. An IT steering committee will assist in providing direction and prioritizing projects. MCSO should complete the IT strategic plan and form a steering committee to help ensure IT projects are properly authorized, controlled, and meet MCSO business objectives.

IT Best Practices

IT best practices suggest that an organization should have an IT strategic plan which addresses the expected IT infrastructure changes and improvements that will be necessary or beneficial over the next three years. MCSO is currently developing an IT strategic plan. The existence of an IT steering committee will help to ensure that IT projects are properly authorized, controlled, and that MCSO's overall IT infrastructure needs are addressed in an IT strategic plan.

Without a completed IT strategic plan MCSO may not be prepared for changes in their IT infrastructure, which will occur during the coming years. As a result, the office might experience availability issues or outages. An IT steering committee can help to ensure that risks, issues, and opportunities are appropriately and completely addressed within the IT strategic plan and in any major IT project plans. A steering committee will also help to mitigate the risks associated with MCSO being unaware of countywide issues or initiatives.

Recommendation

MCSO should:

- A. Complete the IT strategic plan which documents expected changes in the IT infrastructure that will be necessary or beneficial over the next one to three years.
- B. Form an IT steering committee to review, approve, and prioritize all major IT project plans and provide input to the yearly revision of the IT strategic plan.

Issue 7 Security Policies and Procedures

Summary

MCSO has not developed written IT security policies, as required by County Policy. Security may not be administered consistently in accordance with management's intention without properly documented policies and procedures. This risk is especially important considering the confidential nature of the organization's data. MCSO should develop and document formal security procedures.

County Policy Requirements

County policy A1605 requires that each elected official and appointed department director establish security controls and practices sufficient to ensure the confidentiality, integrity, availability, and appropriate use of County data and information systems. Security policies and procedures help to ensure that employees are granted the proper levels of access to IT resources and that they understand their responsibilities with regard to securing information.

MCSO IT Security Procedures

The MCSO Security Officer uses a Statewide Security Officers Handbook as a reference but office specific security policies and procedures are not in place for any of the critical mainframe-based or server-based applications. Formal security policies and procedures can help to mitigate the risks associated with inappropriate or unauthorized access to the MCSO network or critical applications.

Recommendation

MCSO should document security policies and procedures for administering access to the network and mainframe/server-based applications. The policies and procedures should include (but not be limited to) the following:

- A. A procedure for adding new users to: the network, mainframe applications (JMS, CMS, Civil, etc.) and other applications (Mug Shot, IFCS, CAD, etc.)
- B. A requirement for completion of a New User Request Form (or equivalent) by the requestor which documents the level of access requested. This form should require the signature of specified managers and should also be signed by the Security Officer.
- C. A procedure for a periodic review of user access levels to the network and various applications

- D. A procedure for prompt removal of terminated employee access. The Security Officer is currently notified only once per month of employee terminations with the exception of emergency cases
- E. A requirement that all employees sign a confidentiality agreement that documents the employee's acknowledgment of MCSO information security policies as they relate to users.

Issue 8 Operating Systems Weaknesses

Summary

During our review we noted three weaknesses related to MCSO operating systems:

- The mainframe logical security settings include parameters that are not considered best practice.
- Data Center employees share a single user account to administer one operating system.
- A formalized procedure has not been developed for approval and testing of new operating systems, operating system upgrades, or operating system patches.

MCSO should implement proper controls to reduce the risk that the integrity of the information processed on the office's systems will be compromised.

Bull Mainframe

Inherent weaknesses in Bull mainframe computer's password parameters, combined with MCSO policies that do not support best practice logical security settings for the mainframe, increase the risk that the integrity of information processed will be compromised.

AIX (UNIX)

IT best practices suggest that access to operating system administrative functions be closely monitored and strictly limited to those who have a business need. The administrative (root) password is shared, therefore, accountability is limited when changes to the operating system and programs are tracked. Accountability for actions taken as root is more difficult because approximately 15 users know the root password.

Change Control Procedures

IT best practices suggest that written procedures be developed for all IT change control processes. However, MCSO has not developed written procedures for approval and testing of new operating systems, operating system upgrades, or operating system patches. This weakness increases the risk that approval and testing of these changes may not be performed in accordance with management's expectations.

Recommendation

MCSO should consider implementing the following controls:

A. Bull Mainframe:

- Disallow shared passwords and change passwords every 30-90 days
- Do not allow developers access to the production environment
- Limit security administration rights at the UMC-level (e.g., developers and/or programmers who support the production environment should not be able to turn off logging capabilities)
- Grant sign-on ability to multiple sessions only to employees who have a justifiable business need and enforce auto-lockout for users, after three invalid logon attempts

B. AIX (UNIX): Change the root password for the AIX (UNIX) operating system and minimize the number of employees authorized to use the root account based on business need

C. Change Control Procedures: Develop a formalized (written) procedure for approval and testing of new operating systems, operating system upgrades, and operating system patches.

Issue 9 Project Management Methodology

Summary

MCSO has not developed a formal IT project management methodology, as suggested by IT best practices. Development projects are not carried out according to a standardized project management methodology and may not be properly controlled, tested, and approved by management. MCSO should adopt a formal IT project management methodology.

IT Best Practices

IT best practices suggest that an adopted SDLC methodology be used in conjunction with an application of project management capabilities to accomplish the planning, implementation, and tracking of all Information Systems projects to ensure they are properly controlled.

Review Results

During our review we found that MCSO has not established a formal IT project management methodology or SDLC. MCSO development projects (PCBITMAP, Reporting Server, etc.) are not carried out according to a standardized project management methodology or SDLC. Therefore, these projects might not be properly controlled, tested, and approved.

Utilization and enforcement of a project management methodology will help mitigate the risks associated with applications going into production that have not been properly tested and/or approved.

Recommendation

MCSO should create a Project Management Methodology (or SDLC) and the related forms for documenting project progress. This methodology should include provisions for:

- A. Sign-off by IT Steering Committee or high-level IT management on all project plans
- B. Properly dividing all major projects into six phases: 1) requirements definition 2) design 3) development 4) testing 5) implementation 6) post-implementation support
- C. Sign-off by users at both the project design and testing phases
- D. Sign-off by project management at every phase of the project

- E. Document specific steps performed during each project phase in pre-established forms, which must be approved by the project manager and employee assigned to lead the particular phase. Best practices suggest one standard form be used for each of the six project stages described above
- F. Require developing, testing, and final implementation.

Issue 10 Excessive Access to Systems

Summary

Access to MCSO's Computer Aided Dispatch (CAD) system and the Inmate Fund Canteen System (IFCS) appears to be excessive. The large number (324) of users with access to release inmate canteen funds increases the risk of fraud and/or misappropriation of funds. MCSO and MCSO's Financial Services Bureau should carefully evaluate and verify the users' need for access to these critical systems.

CAD System

IT best practices suggest that access to critical business applications be restricted on a need-to-know basis. The CAD application is used for dispatching calls including deputy communications as well as '911' calls. At least 16 users have the authority to grant security administrator and criminal history (considered a critical function by the Communications Department) access to other users. In addition, no reporting features are available from the CAD application that indicate the number of users having access to security administration and criminal history functions. This control weakness increases the risk that unauthorized access or changes can be made to the CAD application.

Inmate Fund Canteen System

Best practices suggest that access to cash should be strictly limited and monitored. Currently 324 users on the IFCS application have authority to release inmate funds. This large number of users with access increases the risk of fraud and/or misappropriation of inmate funds. Additionally, access to the IFCS function of releasing inmate funds (disbursing cash) is not reviewed periodically.

Recommendation

MCSO and the Financial Management Bureau should:

- A. Reduce the number of users who have authority to grant security administration and criminal history access rights to other users within the CAD application
- B. Carefully evaluate the need to have 324 users with access to release inmate funds given the risk of fraud and/or misappropriation of inmate canteen funds.

Issue 11 Disaster Recovery Plan

Summary

MCSO has not established a formal disaster recover plan for its information systems. As a result, MCSO does not have assurance that the office can recover systems timely, in the event of an extended system outage or disaster situation, and may experience business interruption. MCSO should develop a disaster recovery plan and test the plan at least annually.

IT Best Practices

IT best practices suggest that an organization should have a formal Disaster Recovery Plan (DRP) in place that allows for the recovery of critical processing capabilities within a reasonable period of time. MCSO has not developed and implemented a formal disaster recovery plan. If a data center disaster were to occur, the critical processing capabilities of the organization might be unavailable for an extended period of time causing business interruption.

Recommendation

MCSO should establish and adopt a formal DRP that provides for the recovery of critical processing capabilities (access to and use of JMS, CMS, Pawn, Civil, IFCS, MugShot and CAD) and test the plan at least annually.

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